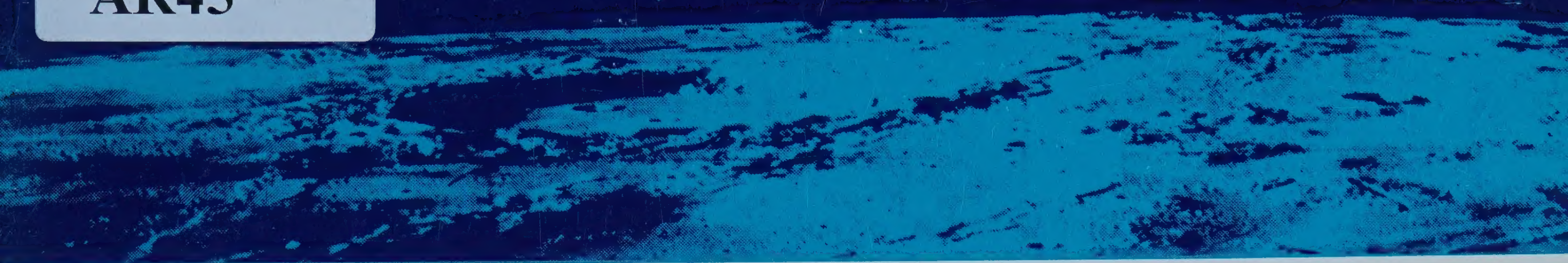

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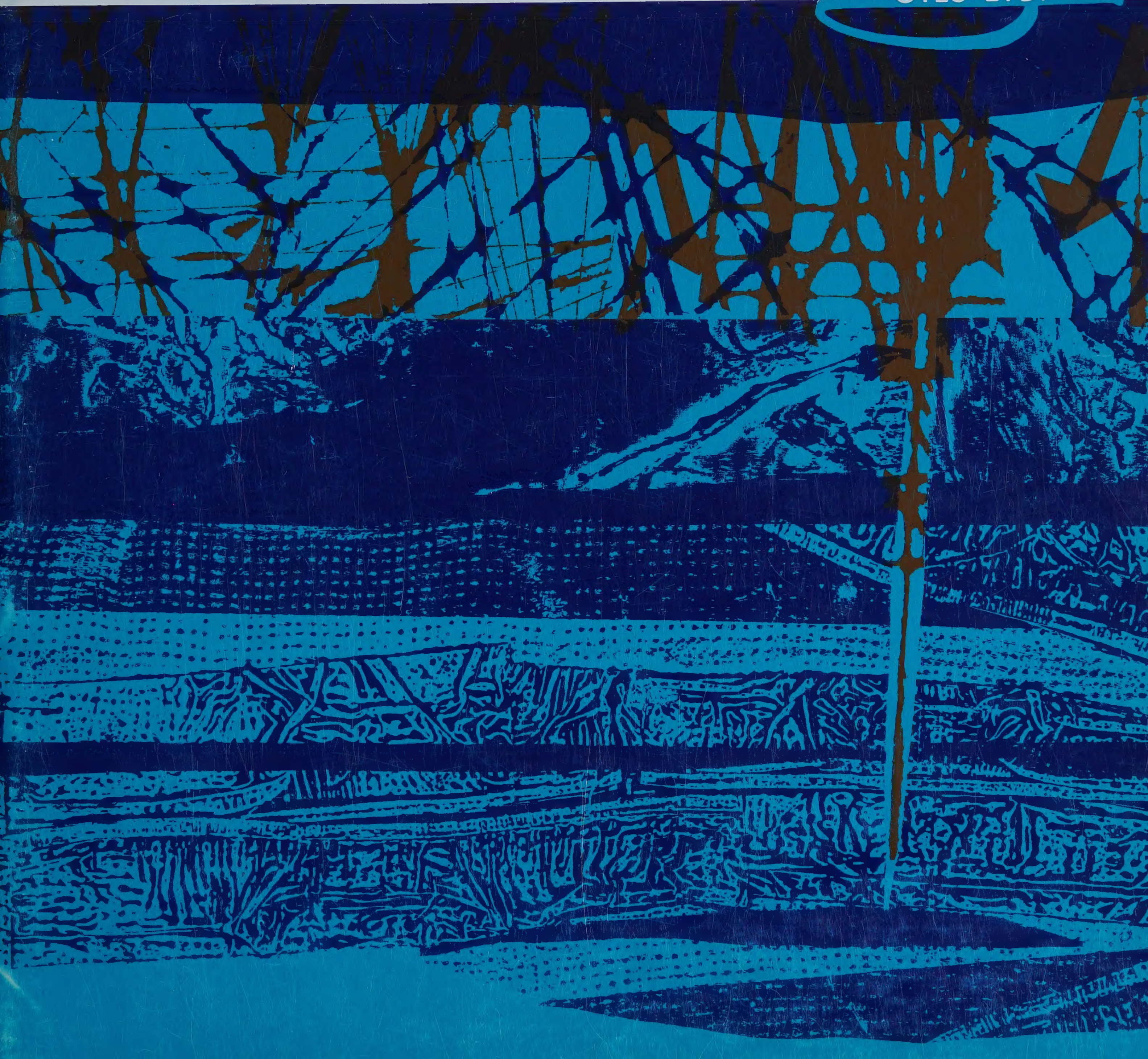
1966 SIXTEENTH ANNUAL REPORT

Fargo OILS LTD.



DIRECTORS

Bert V. Richardson, Q.C. .... Victoria, B.C.
Counsel, Richardson, Taylor, Huband, Wright & Kehler

*Algur H. Meadows .... Dallas, Texas
Chairman of the Board, General American Oil Company of Texas

*William P. Barnes .... Dallas, Texas
President, General American Oil Company of Texas

*Robert M. Swesnik .... Dallas, Texas
President, Fargo Oils Ltd.; Vice-President, General American Oil Company of Texas

Frederick H. Connally .... Dallas, Texas
Executive Vice-President, Finance, General American Oil Company of Texas

H. Lyle Jestley .... Vancouver, B.C.
Senior Partner, Jestley, Eckardt & Kirstiuk

Paul W. Matthews .... Toronto, Ontario
Chairman of the Board, Matthews & Company Limited

*Member of the Executive Committee.

OFFICERS

Bert V. Richardson, Q.C. .... *Chairman of the Board*

Algur H. Meadows .... *Chairman of Executive Committee*

Robert M. Swesnik .... *President*

Russell E. Dertell .... *Vice-President and General Manager*

David W. Talbot .... *Vice-President and Secretary-Treasurer*

Frederick H. Connally .... *Assistant Secretary-Treasurer*

Donna G. McKechnie .... *Assistant Secretary-Treasurer*

WALTER LEWIS PERRYMAN, JR.

W. Lewis Perryman, Jr., a Director and Member of the Executive Committee of Fargo Oils Ltd., died on April 28, 1966, as a result of an unfortunate drowning accident in residential Dallas.

Mr. Perryman served the Company as an Officer commencing on August 12, 1955, as a Director from December 3, 1962, and as a Member of the Executive Committee from April 21, 1964.

The untimely death of Mr. Perryman is deeply felt by the Directors, Officers and employees of Fargo Oils Ltd. This report is, therefore, dedicated as a tribute to the memory of Mr. W. Lewis Perryman, Jr.

The Annual Meeting of the Shareholders will be held at 11:00 a.m. on Thursday, May 11, 1967 at 630 - 6th Avenue S.W., Calgary, Alberta.

Fargo OILS LTD.

16th ANNUAL REPORT 1966

HIGHLIGHTS

FINANCIAL	1966	1965
Gross Income	$3,275,740	$2,877,469
Net Income	$ 821,548	$ 700,236
Cash Flow	$1,906,402	$1,707,510
Working Capital	$ 404,271	$ 526,691
Capital Expenditures	$1,981,752	$3,689,171
Shares Outstanding	8,505,323	8,497,353
OPERATING		
Oil and Gas Liquid Sales — Net Barrels	1,479,785	1,248,730
Daily Average	4,054	3,421
Gas Sales — Net Mcfs	2,725,004	2,789,337
Daily Average	7,466	7,642
Wells Drilled — Net	23	32
Wells Owned — Net	293	283

COVER

The cover, designed by John K. Esler, displays an abstract concept of man's search for oil. Mr. Esler obtained his Bachelor Degree in Fine Arts and Education from the University of Manitoba. In just four years, he has established himself in the art of print-making, having won twelve awards with his contributions to the national and international graphic competitions. Since 1964, Mr. Esler has held a teaching position in graphic arts at the Alberta College of Arts in Calgary.

INDEX

THE PRESIDENT'S LETTER

To the Shareholders:

Fargo has once again enjoyed a very successful year, both in terms of increased income and the establishment of substantial new oil and gas reserves. Much of the Company's success in the past and prospects for the future are attributable to the economic climate existing in Canada and the unlimited opportunities existing in the Canadian petroleum industry. In contrast to other segments of the economy, the oil and gas industry in Canada has recorded its most outstanding year on record. The value of sales of oil, natural gas and liquids, including sulphur, exceeded one billion dollars for the first time. Oil production passed the one million barrel per day mark for an increase of 9.4 per cent. Gas sales averaged two billion eight hundred and fifty million cubic feet per day, while sulphur sales increased approximately ten per cent to four thousand eight hundred long tons per day.

Although these increases are significant, production has failed to keep pace with the establishment of new reserves. Major new discoveries of oil and gas have boosted proven recoverable reserves of oil to approximately nine billion barrels, while proven gas reserves are estimated to be in the order of forty-eight trillion cubic feet. These figures constitute a twenty-five year supply of oil and a thirty-six year supply of gas at current rates of production. In contrast, new reserves of oil and gas discovered in the United States have failed to keep pace with the growing demand and, at current rates of production, constitute only a twelve and an eighteen year supply, respectively. If this trend continues, Canada will have an increasingly important role in supplementing the petroleum needs of the United States.

During the past decade, there has been a marked increase in exploratory activity in Canada compared to a decline in exploratory efforts in the United States. Per barrel finding and developing costs of oil in Canada during this period amounted to sixty-two cents compared to more than double this amount in the United States. Although Canadian oil is competitive, it presently serves only three per cent of the United States market requirements. In order to sustain a vigorous and expanding industry, Canada must either supply a greater share of its domestic needs or seek a larger share of the expanding United States markets.

Export of natural gas constituted in excess of one-third of the total Canadian gas sales for 1966 and is expected to increase sharply during the next few years.

Fargo is well represented in Western Canada, with substantial oil and gas reserves plus a widely diversified land spread of 2.3 million gross acres throughout all four of the Western Provinces.

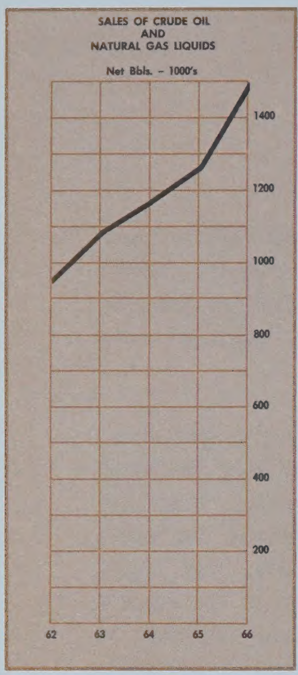
Fargo's oil reserves have increased at an annual rate of eighteen per cent over the past ten years. This compares favorably with the industry growth rate of eleven per cent during the same period. The Company's production over this period has increased at an average rate of eight per cent per year compared to seven per cent for the Canadian industry.

A relatively new and increasingly important aspect of the petroleum industry in Canada is sulphur production. During 1966, the industry produced 1.75 million long tons of sulphur, which is a ten per cent increase from the previous year. Increased world-wide demand, however, has boosted the value of sales for 1966 by approximately fifty per cent over the previous year. New plants to be constructed during 1967 will boost Canada's position to the second largest producer of sulphur in the free world. Fargo is fortunate in having a substantial position in this new and important segment of the industry by virtue of large reserves in central Alberta and some highly prospective properties in other areas.

Fargo is operating in an area of keen competition brought about by a successful industry. This industry is stimulated by a free enterprise system whereby much of the initiative for future growth lies with the operating companies. The steady progress which Fargo has shown will be further stimulated against this background by goals inaugurated by the Company.

Your Directors again wish to express their appreciation to the employees and the shareholders of the Company for their valued cooperation and support during the past year.

R. M. Swesnik,
President.



OPERATIONS

DRILLING

Fargo participated in the drilling of 52 wells (22.4 net) during 1966. Forty of these wells (17.7 net to the Company) were successfully completed for oil or gas production. The Company retained royalty interests in four additional wells drilled under farmout to other companies. In addition to the wells in which the Company participated directly, four successful D-1 gas wells were drilled in the East Crossfield Unit and twenty-eight wells were drilled in the Aberfeldy Unit. The Aberfeldy drilling resulted in twenty-four oil wells, three injectors and one water source well. Fargo owns a 12.5 per cent interest in the East Crossfield Unit and a 1.67 per cent interest in the Aberfeldy Unit.

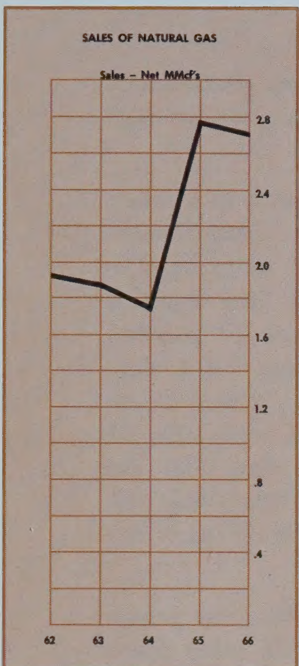
Thirty-nine per cent of the exploration and development expenditures made by the Company during 1966 was spent on units. New wells drilled and pressure maintenance instituted in units did not materially increase production during 1966, however, some response to injected water was noted prior to the year-end thus contributing to a thirty-seven per cent increase in proven recoverable oil reserves. Increased production from these units should commence in 1967 and the full benefit will be realized in subsequent years.

PRODUCTION

Oil and natural gas liquids production increased 18.5 per cent in 1966 to an average daily rate of 4,054 barrels compared to 3,421 barrels per day in 1965. Natural gas sales decreased by 2.3 per cent from an average of 7,642 Mcf per day in 1965 to an average of 7,466 Mcf per day during 1966. Presently capped gas reserves in the Kotcho Lake area of British Columbia and the Condor and Crossfield areas of Alberta will be tied into markets during 1967. Sales from these areas should materially increase gas income in subsequent years.

LAND

The Company presently holds an interest in 2,352,788 gross acres which represents 766,587 acres net to the Company. This is the strongest acreage position the Company has held in the past five years and is the net result of acquisitions during 1966 of 446,222 acres (199,259 net) and the surrender of 173,258 acres (51,245 net). The majority of the acreage acquired was comprised of permit lands in the Province of Saskatchewan. Other acquisitions included a 12,800 acre permit in southern Alberta, Crown leases in British Columbia and a number of Freehold leases in the Province of Saskatchewan.



BRITISH COLUMBIA

The most significant development in British Columbia during the year was the confirmation of a large stratigraphic oil pool in the Triassic Charlie Lake formation in the Inga area. As of the year-end, Fargo holds interests varying from 10.8 to 13.1 per cent in nine oil wells developed on a 320 acre per well drainage pattern in the Inga pool. These wells have allowable production rates averaging 125 barrels per day and flowing capacities considerably in excess of this figure. At the present time, the limits of the pool are not fully delineated. Fargo holds interests in approximately 5,000 acres immediately adjacent to the Inga development, including some recently acquired tracts directly offsetting producing wells.

Fargo participated in three wildcats in the Blueberry area, all of which encountered production. The Western Natural et al b-22-D well, drilled as a Mississippian test, found gas in the Triassic Halfway formation and is awaiting stimulation treatment prior to completion. A well drilled in the Halfway area encountered oil in the Inga sand and is also waiting on completion. A well drilled to the north of the Inga pool to evaluate certain Crown land, tested 2.3 million cubic feet of gas per day from the Triassic zone and is presently shut-in awaiting a pipeline connection.

In addition to the above wells in which Fargo participated directly in the Blueberry area, a Mississippian test was drilled and abandoned by another company under farmout from the Blueberry participants in exchange for an interest in 3,200 acres.

A large scale water injection program is planned for pressure maintenance in the Mississippian oil reservoir at Blueberry during 1967. It is estimated that waterflood will increase remaining reserves substantially over that which can be obtained under conventional production. Fargo retains a 21.67 per cent interest in this pool.

British Columbia Oil Transmission in which the Company also has a 21.67 per cent interest, is forecast to have a considerably larger throughput due to the rapidly developing Inga pool and possible increased production from pressure maintenance of the Blueberry pool. It is anticipated that the throughput of this 72-mile pipeline will be more than doubled during 1967.

In the Fort Nelson area, Westcoast Transmission is proceeding with its announced plans to construct an extension of its Fort Nelson line into the Kotcho area, where Fargo has an interest in one shut-in Middle Devonian gas well and extensive acreage holdings. It is believed that as the Kotcho Lake field is exploited, additional reserves will be developed on Fargo's acreage. Westcoast has awarded the contract for the construction of this line and it is expected that construction will be completed during the current winter season.

By virtue of reversionary rights, Fargo acquired a 100 per cent interest in 61,336 acres of Crown leases in the general Fort Nelson area.

ALBERTA

Fargo's main activity in Alberta during the past year was concentrated on the development of its properties in the East Crossfield area and the unitization of its interests at Medicine River.

The Company has committed to participate in the construction of a major sulphur recovery plant to process sour Devonian gas in the East Crossfield area. The cost of this project is estimated to be in the neighborhood of twenty-five million dollars. Fargo has elected for a 9.4 per cent interest. The plant is scheduled to go on stream November 1, 1967, and is designed to produce 530,000 long tons of sulphur annually. Four successful Devonian wells were completed within the existing unit during 1966, considerably increasing the proven sour gas reserves. Fargo participated in one additional well adjacent to the unit and has recently drilled and abandoned a D-1 test on a 100 per cent owned section of land on the west side of the field. Additional wells are planned in order to prove up sufficient reserves and deliverability to meet the Company's gas contract requirements.

Fargo has acquired a 30 per cent interest in a 12,800-acre permit located on the Crossfield-Okotoks sour gas trend approximately 25 miles south of the Okotoks gas field. This acreage was acquired with the prospect of establishing additional sour gas reserves. Fargo owns an undivided 50 per cent interest in a single section directly offsetting a recently completed D-1 sour gas well in the East Calgary area.

During the year, negotiations were completed and unitization finalized for the Medicine River Units 1 and 2 where the Company oil is produced from the Jurassic and Cretaceous sandstones. Unitization of the Medicine River properties will facilitate pressure maintenance by waterflood, which is anticipated to double recoverable reserves from these pools.

In the adjacent Condor area, Fargo has substantial oil and gas reserves. The Condor gas is presently contracted and it is expected that the existing gas unit will be expanded and tied into market early in 1967. Fargo has an interest in seven oil wells in the Condor area. These wells will be committed to a unit under which recoverable reserves will be substantially increased by pressure maintenance.

Fifteen wells were drilled on Fargo properties in Alberta during the year, ten of which were successfully completed as either oil or gas wells.

SASKATCHEWAN

Fargo continued its active development of oil reserves in the Lone Rock area. The Company participated in twenty wells, sixteen of which were successfully completed for oil production. Fargo participated in the formation of the South Epping Unit No. 1, in which it holds a 51 per cent interest, and has been designated the unit operator. This unit contained eighty-eight producing

wells averaging 1,650 barrels of oil per day. During 1966, an oil gathering system was installed and waterflood has been implemented in the north half by the conversion of thirteen wells to injectors. Substantial benefits in ultimate recoveries are anticipated through pressure maintenance. Since the formation of this unit, seventeen additional wells have been completed. Thirteen of these will be brought into the unit at the first expansion scheduled for the first quarter of 1967. Fargo's interest will then increase to 53 per cent and the total unit production will be approximately 2,000 barrels per day.

In the Battle Creek area of southwestern Saskatchewan, Fargo acquired a 50 per cent interest in approximately 90,000 gross acres of permit lands. A discovery well was drilled and encountered low gravity oil in both the Jurassic and Mississippian formations. A follow-up well has confirmed the presence of a sizeable reservoir.

In southeastern Saskatchewan, Fargo drilled three successful oil wells and one dry hole.

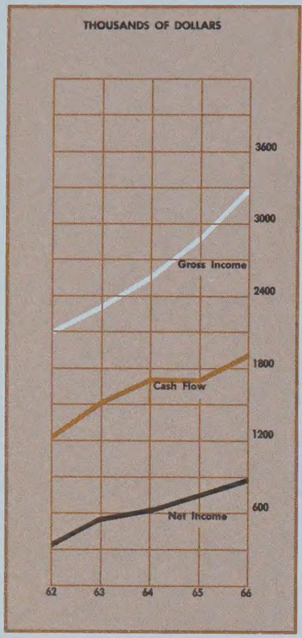
In the Gronlid area of central Saskatchewan, Fargo participated in an unsuccessful Winnipegosis test. This well earned for the Company a one-sixth interest in a permit comprising 100,000 gross acres, plus a one-third interest in a permit containing 72,800 acres. Although the Gronlid well was unsuccessful, these lands will be retained for future exploration.

In addition to the lands acquired in the Gronlid area, Fargo acquired 4,195 acres of freehold leases in the Pasqua Lake area. Additional lands are being considered for possible acquisition on the Winnipegosis trend.

MANITOBA

Three successful Lodgepole oil wells were drilled under farmout on Fargo's lands in which it retained an 18¾ per cent working interest. Unitization of this area is presently being considered in an effort to increase ultimate recoveries by means of pressure maintenance.

The Virden-Roselea Unit No. 3 became effective December 1, 1966, and secondary recovery operations have been instituted for the production of oil from the Virden and Scallion members of the Lodgepole formation. Fargo contributed its interest in three producing wells to this unit, resulting in a unit participation factor of approximately one-half of one per cent.



FINANCIAL

The pattern of steady growth since 1961, continued in 1966. Gross income for the year increased 13.8 per cent, cash flow 11.6 per cent and net profit 17.3 per cent. Net profit has increased from 14.1 per cent of gross income in 1962 to 25.1 per cent in 1966.

Gross Income. The Lloydminster area provided about 50 per cent of the $398,000 increase for 1966 and the major contributor was the South Epping Unit, formed February 1, 1966. Ratcliffe (20 per cent) and Medicine River (10 per cent) were the other significant areas of increase.

Cash Flow. The 1966 total of $1,906,402 is $198,892 or 11.6 per cent greater than 1965. Cash flow for 1966 was 58.2 per cent of gross income. Cash flow is determined by adding to the net profit, charges for depletion and depreciation and the exploratory expenses comprised of lease rentals, dry holes and leases surrendered.

Depletion and Depreciation. The 1966 charges were $136,449 or 21.5 per cent greater than those for 1965. Most of this increase is the result of increased oil sales as the depletion and depreciation of oil and gas properties is calculated on the unit of production basis.

Interest — net. Ninety per cent of 1966 interest expense was incurred on production payments. Although unpaid production payment balances at the end of the two years were about the same, the average monthly unpaid balance during 1966 was $800,000 greater than in 1965. This is the main factor in the increase for 1966 of $77,496.

Capital Expenditures — Exploration and Development. The 1966 total of $1,388,174 was only a slight increase over the 1965 total of $1,385,255. Unitized areas received a greater share in 1966, increasing from 28 per cent ($383,000) of the total in 1965 to 39 per cent ($540,000) in the current year. Lloydminster again received the largest share of total expenditures with $406,000 (29.2 per cent) followed by Pembina $202,000 (14.5 per cent), Medicine River $202,000 (14.5 per cent) and East Crossfield $145,000 (10.4 per cent).

Production Payments. Development of producing properties is financed by production payments which are repaid out of the proceeds of production. During 1966, the Company repaid amounts equal to 81 per cent of the new production payments.

Working Capital. Production payments for properties developed are obtained only when funds are required for use, thereby avoiding interest charges for excess funds retained as working capital. Production payments have been arranged to cover anticipated expenditures for 1967 and, therefore, the ratio of current assets to current liabilities of 1.87 to 1 at December 31, 1966 is sufficient to meet current demands.

SOURCE AND APPLICATION OF FUNDS

For the Years Ended December 31, 1966 and 1965

	1966	1965
UNEXPENDED BALANCE at January 1	$ 661,491	$1,636,808
FUNDS RECEIVED FROM		
Net profit	$ 821,548	$ 700,236
Non-cash items eliminated:		
Depletion and depreciation	770,588	634,139
Other items	98,203	37,604
Net cash from operations	1,690,339	1,371,979
Proceeds on disposal of fixed assets	28,275	3,613
Sale of shares (Employees' stock option)	7,970	7,103
Production loans received	1,390,000	2,496,000
	$3,116,584	$3,878,695
	$3,778,075	$5,515,503
FUNDS EXPENDED FOR		
Acquisition of permits, leases and royalties	$ 442,506	$2,293,103
Development of properties including equipment thereon	1,388,174	1,385,255
Other equipment	151,072	10,813
Payment of principal on production loans	1,122,452	1,030,041
Payment of installment on notes payable	134,800	134,800
	$3,239,004	$4,854,012
UNEXPENDED BALANCE at December 31	$ 539,071	$ 661,491
Represented by:		
Current assets	$ 866,453	$ 987,438
Current liabilities, exclusive of notes payable	327,382	325,947
	$ 539,071	$ 661,491

DISTRIBUTION OF THE INCOME DOLLAR

(In Cents)

	1966	1965	1964	1963	1962
GROSS INCOME	100.0	100.0	100.0	100.0	100.0
Operating expenses	24.7	23.6	20.3	20.8	24.1
General & administrative expenses	8.5	9.4	9.0	9.6	11.5
Interest	8.3	6.8	4.1	3.6	5.6
Other	.3	.9	(.5)	(.8)	(.1)
CASH FLOW	58.2	59.3	67.1	66.8	58.9
Lease rentals, dry holes and leases surrendered	9.6	13.0	13.4	12.1	11.1
Depletion and depreciation	23.5	22.0	31.0	32.9	33.6
NET PROFIT	25.1	24.3	22.7	21.8	14.2

Fargo OILS LTD

BALANCE

ASSETS

	1966	1965
CURRENT ASSETS		
Cash	$ 367,445	$ 505,545
Accounts receivable	345,785	351,943
Inventories of crude oil, at approximate market value	26,050	34,430
Oil well supplies at average cost	122,800	90,452
Prepaid expenses	4,373	5,068
Total current assets	866,453	987,438
INVESTMENT IN OTHER COMPANIES — at cost (No quoted market value)		
Notes and debentures	427,305	426,055
Shares	4,267	4,267
	431,572	430,322
ADVANCES AND DEPOSITS	40,355	40,355
OIL AND GAS PROPERTIES, PLANT AND EQUIPMENT (Notes 1 and 4)		
Developed oil and gas properties	16,976,409	13,597,580
Less allowance for depletion and depreciation	4,807,419	4,249,956
	12,168,990	9,347,624
Less unpaid production payments	4,585,451	4,317,904
	7,583,539	5,029,720
Undeveloped leases and royalties	3,167,358	5,054,389
Other equipment including dehydrating plant	1,132,619	885,201
Less allowance for depreciation	758,077	674,105
	374,542	211,096
Total oil and gas properties, plant and equipment (net)	11,125,439	10,295,205
	$12,463,819	$11,753,320

See accompanying notes to the financial statements.

SHEET DECEMBER 31, 1966

(with comparative figures at December 31, 1965)

LIABILITIES

	1966	1965
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 327,382	$ 325,947
Notes payable within one year	134,800	134,800
Total current liabilities	462,182	460,747
5% NOTES PAYABLE (Note 2)	539,198	673,998
Less amount due within one year	134,800	134,800
	404,398	539,198
SHAREHOLDERS' EQUITY (Notes 3, 4 and 5)		
Share capital:		
Common shares of $1 par value per share. Authorized 9,000,000 shares; outstanding 8,505,323 shares, 1966; 8,497,353 shares, 1965	8,505,323	8,497,353
Paid-in surplus per attached statement	475,043	460,697
	8,980,366	8,958,050
Earned surplus per attached statement	2,616,873	1,795,325
	11,597,239	10,753,375
	$12,463,819	$11,753,320

Approved on behalf of the Board:

Director

Director

(This is the balance sheet referred to in the report of Peat, Marwick, Mitchell & Co., Chartered Accountants, dated February 13, 1967.)

STATEMENT OF PROFIT AND LOSS

Year ended December 31, 1966

(with comparative figures for the year ended December 31, 1965)

	1966	1965
INCOME		
Oil and gas revenue less royalties	**$3,187,012**	$2,796,197
Royalties	**88,728**	81,272
	3,275,740	2,877,469
OPERATING EXPENSES		
Operating expenses, exclusive of those set forth below	**810,588**	679,275
General and administrative expenses (including directors' fees $4,600)	**279,249**	269,380
Depletion and depreciation	**770,588**	634,139
	1,860,425	1,582,794
	1,415,315	1,294,675
OTHER CHARGES (net)		
Non-producing lease rentals	**152,094**	121,272
Dry holes and abandonments	**95,594**	234,638
Leases surrendered	**66,578**	17,225
	314,266	373,135
Miscellaneous expense	**13,961**	26,044
Gain on disposal of fixed assets	**(7,630)**	(414)
Interest — net	**273,170**	195,674
	593,767	594,439
NET PROFIT (Note 6)	**$ 821,548**	$ 700,236

See accompanying notes to the financial statements

ANALYSIS OF SHAREHOLDERS' EQUITY

Year ended December 31, 1966

	Common Shares		*Statement of*	
	Number	*Par Value*	*Paid-in Surplus*	*Earned Surplus*
Balance December 31, 1965	8,497,353	$8,497,353	460,697	1,795,325
Add:				
Stock issued to employees under stock option plan (Note 3)	7,970	7,970	14,346	
Net profit for the year				821,548
Balance December 31, 1966	8,505,323	$8,505,323	475,043	2,616,873

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS December 31, 1966

1. The cost of developed properties includes the unpaid balances of amounts payable solely out of production. Since the obligations are considered as liens against the properties and since there is no direct liability to the Company these amounts are shown as deductions from the property accounts on the balance sheet. It is the Company's consistent policy to expense all lease rentals.
2. The 5% notes payable are unsecured and are repayable by equal instalments of the principal amount on the first day of July in each of the years 1967 to 1970.
3. During the year the Company issued 7,970 shares under an employees' stock option plan for a cash consideration of $1 per share. The excess of the market value at December 31, 1965 over the price paid was charged to employee benefits. The Company set aside 75,000 shares for the plan and at December 31, 1966 a total of 50,408 shares had been issued and options had been granted on 4,034 additional shares at $1 each.
4. Oil and gas properties, plant and equipment are shown in the accompanying balance sheet at cost except as follows. Certain petroleum and natural gas properties and undeveloped acreage were revalued as of January 1, 1962 by a net amount of $8,311,841. This restatement of values, which was based on engineering estimates, resulted in a charge to deficit.
5. As of December 31, 1962 the Company appropriated an amount of $10,751,281 from paid-in surplus to be applied against the reported deficit at that date. This transaction was approved by the shareholders.
6. No provision has been made for taxes on income since the Company has expended more than sufficient amounts on drilling and exploration costs which may, for income tax purposes, be applied against the reported earnings so that there are no income taxes payable.

AUDITORS REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Fargo Oils Ltd. as of December 31, 1966 and the statements of profit and loss, paid-in surplus and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of profit and loss, paid-in surplus and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Fargo Oils Ltd. at December 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.
February 13, 1967.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

SYNOPSIS OF ACCOUNTING PRACTICE

Costs of unproductive wells are charged against income as incurred.

Lease rentals are charged against income as incurred.

Costs of geological and geophysical work are charged against income as incurred, except on Reservations and Permits, where such costs are capitalized.

Acquisition costs of all lands and leases are initially capitalized.

Acquisition costs of productive lands and leases together with costs of productive wells thereon are capitalized and amortized annually on a unit of production basis. This amortization is determined by applying to such costs the percentage that oil produced during the year bears to the estimated reserves.

Costs of undeveloped properties are carried in the accounts until such time as the properties become productive or are abandoned. The costs of abandoned properties are written off at the time of abandonment.

The costs of plant and equipment (other than lease and well equipment) are depreciated on a straight line basis.

Fargo

TEN YEAR SUMMARY

	1966	1965	1964
Gross Income	$3,275,740	2,877,469	2,531,892
Cash Flow	$1,906,402	1,707,510	1,699,451
Dry Holes, Abandonments and Lease Rentals	$ 314,266	373,135	340,388
Depletion, Depreciation and Amortization	$ 770,588	634,139	784,127
Net Profit (Loss)	$ 821,548	700,236	574,936
Expenditures on Exploration and Development	$1,388,174	1,385,255	1,591,362
Working Capital	$ 404,271	526,691	1,502,008
Per Share Outstanding			
Gross Income	$ .39	.34	.30
Cash Flow	$ .22	.20	.20
Net Profit	$ .10	.08	.07
Oil and Gas Liquid Sales — Barrels	1,479,785	1,248,730	1,153,295
Gas Sales — Mcfs.	2,725,004	2,789,337	1,758,945
Wells Drilled — Gross (Net)			
Oil	37 (17)	45 (28)	69 (29)
Gas	3 (1)	3 (1)	1
Dry	12 (5)	12 (3)	17 (7)
Total	52 (23)	60 (32)	87 (36)
Wells Owned — Gross (Net)			
Non Unit — Oil	285 (185)	340 (229)	304 (202)
— Gas	81 (25)	71 (21)	71 (18)
Contributed to Units — Oil	128 (79)	45 (29)	45 (26)
— Gas	10 (4)	9 (4)	8 (3)
	504 (293)	465 (283)	428 (249)
Acreage Owned			
Gross Acres	2,352,788	2,137,549	1,637,656
Net Acres	766,587	639,166	646,771
Shares Outstanding	8,505,323	8,497,353	8,490,250
Number of Shareholders	15,299	15,759	14,901

FINANCIAL AND OPERATING STATISTICS

1963	1962	1961	1960	1959	1958	1957
2,299,671	2,084,305	1,672,442	1,860,708	2,120,442	2,021,264	1,544,828
1,536,545	1,226,818	872,801	1,244,105	1,134,882	1,026,689	771,456
277,716	230,884	326,371	297,094	157,764	182,409	322,555
757,938	700,869	961,704	1,027,705	1,298,869	1,144,830	409,826
500,891	295,065	(415,274)	(80,694)	(321,751)	(300,550)	39,075
885,183	702,383	585,808	908,241	1,044,234	2,147,779	2,010,487
1,255,583	338,047	216,693	395,303	420,870	526,257	1,652,805
.27	.25	.20	.22	.25	.24	.23
.18	.14	.10	.15	.13	.12	.11
.06	.03	(.05)	(.01)	(.04)	(.04)	—
1,075,613	936,493	804,031	857,312	966,361	936,238	732,028
1,886,196	1,937,442	1,638,000	1,613,770	2,137,713	—	—
36 (21)	21 (9)	33 (22)	27 (19)	23 (14)	42 (23)	31
2	5 (2)	7 (3)	10 (3)	4 (1)	8 (3)	10
11 (5)	20 (5)	11 (7)	19 (10)	9 (4)	13 (6)	18
49 (26)	46 (16)	51 (32)	56 (32)	36 (19)	63 (32)	59
258 (193)	318 (192)	294 (172)	480 (192)	499 (194)	340 (186)	203
76 (17)	80 (23)	76 (20)	77 (20)	66 (18)	59 (20)	45
41 (24)	36 (23)	11 (6)	6 (3)	6 (3)		
3 (1)	3 (1)	3 (1)				
378 (235)	437 (239)	384 (199)	563 (215)	571 (215)	399 (206)	248
1,613,747	1,694,070	2,248,575	2,692,693	2,844,934	2,828,309	2,880,503
542,869	628,983	798,853	904,303	900,013	949,364	797,666
8,482,588	8,475,197	8,470,525	8,462,459	8,457,414	8,454,915	6,769,945
15,906	17,435	17,333	17,846	17,620	17,696	11,011

Fargo Oils Ltd.

INCORPORATED	*Alberta, November 20, 1950*
EXECUTIVE OFFICES	*Meadows Building, Dallas, Texas*
GENERAL OFFICES	*630 - 6th Avenue S.W., Calgary, Alberta*
REGISTRAR AND TRANSFER AGENT	*Guaranty Trust Company of Canada, Calgary, Alberta*
CO-TRANSFER AGENTS	*Guaranty Trust Company of Canada, Toronto, Vancouver* *The Royal Bank of Canada Trust Co., New York, N.Y.*
SHARES LISTED	*American Stock Exchange, New York* *Pacific Coast Stock Exchange, San Francisco* *Toronto Stock Exchange, Toronto* *Vancouver Stock Exchange, Vancouver*
AUDITORS	*Peat, Marwick, Mitchell & Co., Calgary*

SHARE DISTRIBUTION Year ended December 31, 1966

Holdings	*Number of Shareholders*					*Number of Shares Held*				
(Shares)	*U.S.*	*Canada*	*Other*	*Total*	*%*	*U.S.*	*Canada*	*Other*	*Total*	*%*
1 to 100	9,575	418	21	10,014	65.46	530,907	20,102	1,052	552,061	6.49
101 to 500	3,445	192	11	3,648	23.84	937,145	55,671	2,965	995,781	11.71
501 to 1,000	653	35	3	691	4.52	569,480	28,359	3,000	600,839	7.06
1,001 to 5,000	295	34		329	2.15	614,393	82,796		697,189	8.20
5,001 to 10,000	38	1		39	.25	277,099	7,006		284,105	3.34
Over 10,000	17	4		21	.14	388,870	72,236		461,106	5.42
	14,023	684	35	14,742	96.36	3,317,894	266,170	7,017	3,591,081	42.22
General American	1			1		2,310,626			2,310,626	27.17
Total Non-Broker	14,024	684	35	14,743	96.36	5,628,520	266,170	7,017	5,901,707	69.39
Brokers	413	141	2	556	3.64	1,863,324	739,927	365	2,603,616	30.61
Grand Total	14,437	825	37	15,299	100.00	7,491,844	1,006,097	7,382	8,505,323	100.00
Per cent	94.37	5.39	.24	100.00		88.08	11.83	.09	100.00	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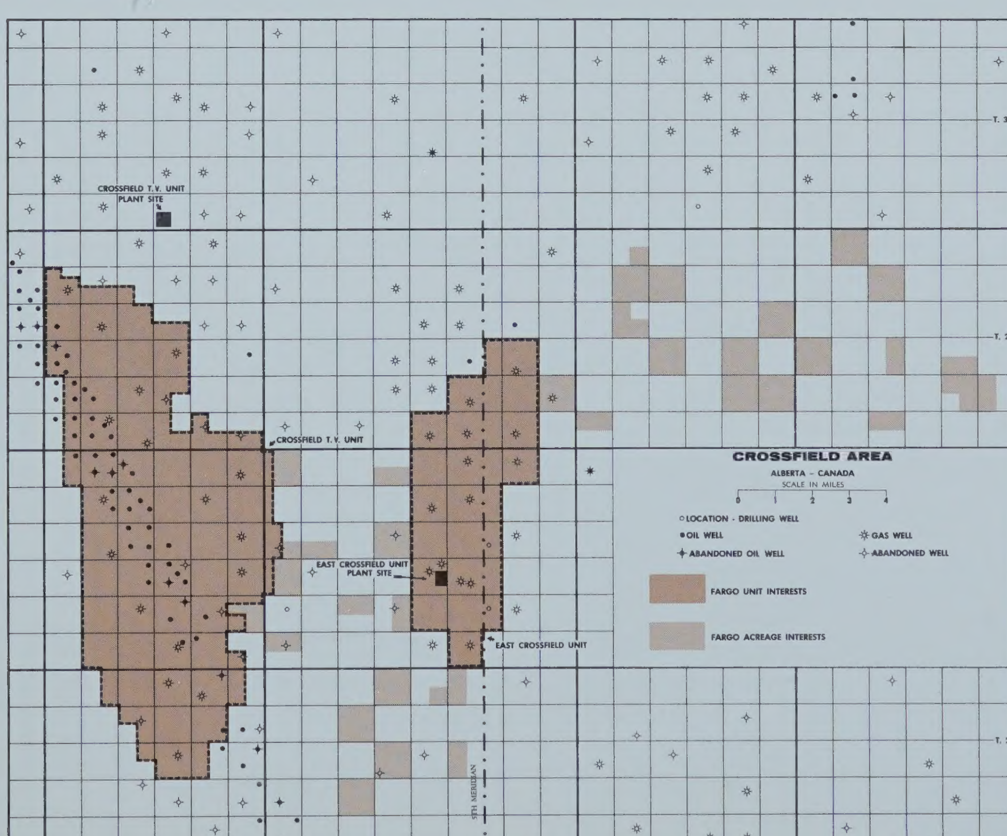
J
I
MAIN LINE STATION
B.C.O.T. LINE TO TAYLOR FLATS
94-A-12
NORTH BOUNDARY PEACE RIVER BLOCK
BLUEBERRY FIELD
INGA FIELD
T. 88
T. 87
INGA AREA
BRITISH COLUMBIA – CANADA
LOCATION - DRILLING WELL
OIL WELL
GAS WELL
ABANDONED WELL
SCALE IN MILES
0
1
2
FARGO ACREAGE INTERESTS
R. 25W6
R. 24


T. 30
CROSSFIELD T.V. UNIT PLANT SITE
T. 29
CROSSFIELD T.V. UNIT
EAST CROSSFIELD UNIT PLANT SITE
EAST CROSSFIELD UNIT
CROSSFIELD AREA
ALBERTA – CANADA
SCALE IN MILES
0
1
2
3
4
LOCATION - DRILLING WELL
OIL WELL
GAS WELL
ABANDONED OIL WELL
ABANDONED WELL
FARGO UNIT INTERESTS
FARGO ACREAGE INTERESTS
T. 27
5TH MERIDIAN
R. 3W5
R. 2
R. 1W5
R. 29W4
R. 28
R. 27W4